

Foreign aid funding - does it matter?

Every dollar we devote to preventing conflicts, to promoting democracy, to stopping the spread of disease and starvation brings a sure return in security and savings. Yet international affairs spending today is just 1 percent of the federal budget....," President Clinton said in his State of the Union address to Congress on Feb. 4.

USAID's request out of that 1 percent of the federal budget is only 0.42 percent — less than one-half of 1 percent of the budget.

Secretary of State Madeleine Albright, USAID Administrator Brian Atwood and other top officials are urging Congress to reverse the decline in foreign assistance funding.

Albright, in her first appearance before Congress as the new secretary of state, told the House International Relations Committee on Feb. 11, "We have deeply reduced our foreign assistance programs, and we now contribute a smaller percentage of our national income to growth and democracy in the developing world than any other industrialized nation..."

"Our spending on international affairs constitutes barely 1 percent of the federal budget. If this small amount were to be cut further, it is our influence in the world, not the deficit, that would decline."

Albright challenged the committee: "We must not forget that developing countries around the world offer the fastest-growing markets for American companies. We must continue to encourage these countries to partici-

pate fully in the global economy. And where possible, we should support their reforms through our bilateral development assistance and through the multilateral development banks."

Albright also noted the consequences of not providing assistance. "The threats of global warming, pollution, deforestation and loss of biodiversity may not be as dramatic as those posed by nuclear missiles or a terrorist's bomb," she said. "But if we ignore them, we will surely pay the price in terms of poor health, lost jobs and the deterioration in our quality of life. That is why we must continue to forge bonds of cooperation in protecting the health and productivity of our common heritage of air, water and land."

USAID's programs advance both U.S. foreign policy goals and the well-being of some of the world's neediest people. Of the \$19.4 billion requested by the president for programs in international affairs, USAID would manage \$7.2 billion, which includes both USAID programs and programs administered by USAID in cooperation with other agencies.

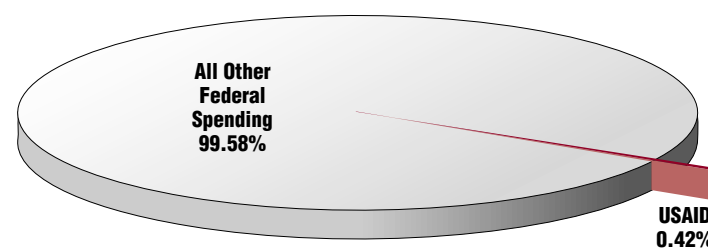
USAID works with developing

nations and countries in transition to support democracies and market economies. U.S. exports to countries receiving USAID assistance grew by \$98.7 billion from 1990 to 1995, supporting roughly 1.9 million jobs in the United States. By the year 2000, four out of five consumers in the world will live in developing nations.

The fiscal year 1998 funds for USAID would, among other things:

- Help eradicate polio globally by the year 2000, saving American taxpayers \$230 million a year in domestic immunization costs;
- Help developing nations build their capacity to open their markets and tear down barriers to U.S. trade;
- Extend family planning services to more than 19 million couples around the world who could not otherwise afford them;
- Provide assistance to millions of victims of flood, famine, conflict and other crises around the globe;
- Combat worldwide environmental degradation; and,
- Provide credit to hundreds of thousands of women "microentrepreneurs" starting small businesses. ■

Fiscal Year 1998 Budget Request



USAID



UNITED STATES AGENCY
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DEVELOPMENT

Microcredit — An emerging tool for fighting poverty

“Microfinance has already done an excellent job of overcoming barriers to women, and USAID’s microfinance work will continue to stress women’s participation.”

Microcredit — small loans — is rapidly getting the attention of policy-makers and financiers around the world.

For the first time in history a microcredit summit was held Feb. 3-4 in Washington. First lady Hillary Rodham Clinton and Queen Sofia of Spain were honorary co-chairs of the summit, which attracted thousands of people from around the world.

USAID has long been committed to microenterprise and microfinance in proving that poor people are good risks when credit becomes available.

The summit set a goal of reaching 100 million of the world’s poorest families through various microcredit programs in the next nine years.

“We are all very lucky that Mrs. Clinton has had the chance to see microenterprise programs work in the field from Asia to Latin America,” USAID Administrator Brian Atwood told the audience. He committed USAID to help obtain the summit’s goal.

“This goal is well worth striving to reach because the best resource for fighting poverty is the energy of low-income people themselves,” Atwood said. “This is a simple idea, with the power to make a tremendous difference in the world. It resonates throughout Clinton administration policies, both domestic and international. The challenge before us is to expand the reach of microfinance to the enormous untapped market of the world’s poor. We believe this is possible, but only if microfinance becomes part of the private financial system. Until now, most microfinance innovation has occurred outside the mainstream financial system, with nongovernmental

organizations, credit unions and the like, financed mainly by governments and donors.

“The future of microfinances lies not with limited donor funds, but with the private sector,” Atwood said.

In 1994, USAID launched a new Microenterprise Initiative. Under the initiative, USAID has supported 150 programs in 45 countries, which are expected to reach approximately 4 million families.

“We have developed strong microenterprise strategies in nearly every country we support in Latin America and Asia and most of the countries in Africa. We will maintain this initiative in the coming years, while working to further develop our support to microenterprise in Africa, Eastern Europe and Central Asia,” Atwood said.

Mrs. Clinton reminded summit participants that “although it is called microcredit, this is a big idea with vast potential, whether we are talking about

a rural area in South Asia or the inner city. It is an invaluable tool in alleviating poverty, promoting self-sufficiency and stimulating the economy.”

Treasury Secretary Robert Rubin told the audience, “This is helping people help themselves. It’s giving poor people the tools they need to join the economic mainstream.”

Microcredit focuses on assisting businesses with five or fewer workers with small loans ranging from less than \$100 up to \$10,000.

More than half of all microenterprises around the world are owned and operated by women. “Microfinance has already done an excellent job of overcoming barriers to women, and USAID’s microfinance work will continue to stress women’s participation,” Atwood said.

Atwood concluded his remarks by saying, “...I look forward to a future when the economies of the world are genuinely open to all.” ■



Women have proven good risks as entrepreneurs when small loans are available. Often the funds are used to buy equipment and goods to begin a profitable undertaking.

USAID sponsors local government conference in Bulgaria

More than 160 senior officials from 19 countries in Central Europe and the former Soviet Union recently affirmed their commitment to democratic local government at a USAID-sponsored conference in Sofia, Bulgaria.

At the conclusion of the meeting, participants adopted a Declaration on Local Government, which called for decentralizing economic and political authority to the local level, asserted the importance of guaranteeing local government authority in national constitutions and laws and underlined the importance of citizen participation in the local decision-making process.

The conference, Local Government in Transition Countries: A Perspective for the Year 2000, was the first region-wide meeting to focus exclusively on local government and to feature key players in local government reform efforts in the former communist countries of Central Europe and the former Soviet Union.

Strengthening democratic local governments is a strategic objective of USAID's assistance to the region. In his keynote speech to the conference, Thomas Dine, USAID assistant administrator for Europe and the New Independent States of the former Soviet Union, emphasized, "A major purpose of the United States is to help reinvigorate and strengthen local governments... We want to help open up the process of governing to all citizens."

Budapest's mayor, Gabor Demszky, stressed that "one of the greatest achievements of the new political system is the empowerment of local governments. Local politicians and also 'ordinary' residents recognize that it is



AA/ENI Thomas Dine stresses the importance of local government to the democratic and economic transition.

now possible to influence the future of their communities."

The first two conference topics, "Fiscal Decentralization and Municipal Finance" and "Urban Service Delivery," went to the heart of effective local government and its interaction with citizens. With democratization, citizens have begun to articulate community needs through open, participatory processes. However, cities cannot provide the level of services requested by the community without adequate financial resources. Lacking improvements in service delivery, citizens may rapidly become disillusioned with democracy.

Boris Ivanenko, president of the Khvylya Company in Ukraine, urged public-private cooperation in the delivery of urban services. Since taking management responsibility for water supply and waste water treatment in Gorlivka, Khvylya has increased water service from the eight hours daily previously provided by the public company to a full 24 hours a day. At the same time, some 20,000 local residents have

been provided with a stake in the system as shareholders in this private company.

The third topic, "The Role of Municipal Associations," examined the experiences of professional organizations formed to advance the interests of towns and cities in the national political arena.

The conference was the first time many local and central government officials had met officially to discuss the role of local governments.

In closing the conference, Olgierd Dziekonski, president of the Municipal Development Agency in Poland, emphasized that the countries of the region may be at different stages of reform, but the goal of each should remain the same — the creation of capable, effective and democratic local governments, which can provide the necessary services to their citizens with the cooperation of the central government, the private sector and the local population. Regional cooperation and information sharing will continue to support this transition. ■

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Spotlight on North Carolina and Ohio

The principal beneficiary of America's foreign assistance programs has always been the United States. Close to 80 percent of USAID's contracts and grants go directly to U.S. firms, organizations and institutions for work overseas.

In addition to helping developing countries, foreign assistance programs have helped the United States by creating major markets for agricultural goods, new markets for industrial exports and hundreds of thousands of jobs for Americans.

Two examples of states benefiting from the U.S. foreign program:

North Carolina

USAID grants and contracts in North Carolina from October 1994 to September 1995 totaled over \$374.8 million.

In 1993, USAID purchased an estimated \$10.6 million of North Carolina

wheat, soybeans and cotton for use in food aid programs. During 1993, shipping and handling USAID food and other aid brought over \$1 million in fees for port services.

USAID programs in Egypt, Jordan and Mozambique financed \$320,207 in purchases from North Carolina companies in fiscal year 1993; \$8.8 million in fiscal year 1994; and \$7.6 million in fiscal year 1995.

Among those receiving grants and contracts from USAID were Duke University, Andean Rural Health Care, Family Health International, North Carolina State University, the University of North Carolina, the Research Triangle Institute and MBA Executive Corps.

Ohio

From October 1994 to September 1995, USAID grants and contracts in Ohio totaled more than \$41.3 million.

In 1993, USAID purchased about \$37.8 million of Ohio wheat, sorghum, soybeans and other agricultural products for use in food aid programs. In 1995, USAID purchased an estimated \$2 million in wheat products from Ohio to feed people in Bosnia, Mozambique, Bolivia and Egypt.

USAID programs in Egypt, Jordan and Mozambique financed \$7.9 million in purchases from Ohio companies in fiscal year 1993; \$6.7 million in fiscal year 1994; and \$8.1 million in fiscal year 1995.

Among those benefiting from USAID grants and contracts were Case Western Reserve University, Ohio University, Midwest Universities Consortium, Ohio State University Research, Sinclair Community College, General Tire Inc. and Copland International Inc. ■



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